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70th ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1986

"THE INSTRUCTORS THAT I HAVE DEALT WITH SHOULD BE COMMENDED FOR THEIR PATIENCE, GOOD NATURE AND EXPERTISE IN EACH OF THEIR FIELDS."

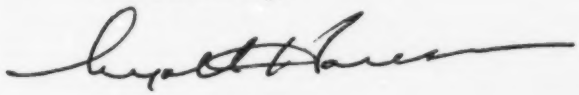
WORKERS' COMPENSATION BOARD OF BRITISH COLUMBIA

25 March, 1987

To: His Honour the Lieutenant-Govenor in Council
of the Province of British Columbia

May it please Your Honour, Sir:
As required by Section 69 of the Workers' Compensation Act, we now submit the 70th Annual Report of the Board, for the year ended 31 December, 1986.

Yours Sincerely,



Lyall Hanson, Minister

THE STATISTICS SECTION OF THIS REPORT IS AVAILABLE AS A SEPARATE PUBLICATION ENTITLED STATISTICS '86 AND IS AVAILABLE FROM ANY WCB OFFICE.

25 March, 1987

The Hon. Lyall Hanson
Minister of Labour
Parliament Buildings
Victoria, B.C.
V8V 1X4

Mr. Hanson:

We take pleasure in presenting the 1986 Annual Report for the Workers' Compensation Board of British Columbia.

This has been an active year for the Board.

On December 22, I replaced Acting Chairman, Glenn Hall who held this position since January 1986. Mr. Hall's term, although only eleven months in duration, was marked by temperate and professional leadership. Under his able stewardship, the Board continued to provide the people of British Columbia with the best services available in the country. His efforts are appreciated and his presence will be missed.

During the short period I have been with the Board, I have learned that this is not just a faceless arm of Government, but a hard working group of professional people who have created one of the best facilities of its kind in North America. I am proud to be part of this dedicated team.

During the course of the year, we receive a tremendous number of letters and calls from the many people we serve. This is a testimony to the efforts of those who work every day at the Board to make it the best of its type.

Throughout this year's Annual Report, we feature some of those responses alongside the description of efforts aimed at a continuing streamlining of policies and procedures designed to better serve the people of British Columbia.

Respectfully submitted,

J.A. Nielsen,
Chairman

FINANCIAL AND STATISTICAL HIGHLIGHTS

FINANCIAL (000's)	1986	1985	Percent Change
Assessment Income	$ 421,219	$ 478,219	(11.9%)
Investment Income	$ 279,692	$ 235,374	18.8%
Cost of Workers' Claims	$ 290,606	$ 270,647	7.4%
Administration Expenses	$ 67,201	$ 65,858	2.0%
Unappropriated Surplus (Unfunded Liability)	$ 113,278	($ 31,844)	—
STATISTICAL			
Employers Registered	89,808	86,940	3.3%
Claims First Reported	156,312	158,673	(1.5%)
OS & H Inspection Reports Issued	39,106	34,116	14.6%
Administration Expenses as a Percent of Total Income	9.6%	9.2%	—

Assessment income — the aggregate 1986 assessment rate for all industry in B.C. was reduced 13.3% to $2.41 per $100 of assessable payroll and the maximum assessable payroll was increased 14.8% to $30,000. The total rateable subclass assessment was 12.4% lower while deposit account and penalty income was 2.8% lower.

Investment income — the return on the average market value of the investment portfolio was 12.0% compared to 12.2% in 1985. The real rate of return, being the yield in excess of C.P.I., was 7.8% compared to 7.9% in 1985.

Cost of workers' claims — the maximum benefit level increased from $32,400 to $40,000. The total cost of workers' claims increased 7.4% while the injury rate and claim severity remained relatively stable.

Administration Expenses — the 2.0% increase is less than half the rate of inflation and reflects a continuing emphasis on cost control.

Unappropriated Surplus — the unfunded liability reported in previous years has been eliminated. Favourable injury rates, pension costs and real rate of return have resulted in assets increasing in excess of fund liabilities. In aggregate, the compensation system is now fully funded as detailed in Schedule 2. In addition to the $113 million unappropriated surplus the Board has appropriated $150 million to a benefit maintenance and assessment rate stabilization reserve.

OCCUPATIONAL SAFETY AND HEALTH DIVISION

"YOUR PRESENTATION GAVE US AN INSIDE VIEW ON HOW TO PROTECT OURSELVES IN THE WORKPLACE."

This Division encompasses the responsibilities and activities for Education and Training, First Aid, Field Services, and Research and Development.

This year, we developed a mission statement and set of objectives to compliment those introduced by our Chairman so that our people could focus on the responsibilities of the Division with greater vigor.

Our mission within the Division is to provide occupational safety and health services to assist employers in fulfilling their responsibility to provide a safe working environment.

Our objectives are to: plan and assess occupational safety and health strategies, develop worker and employer acceptance of the responsibility for safety and health, identify dangers and problems, establish appropriate standards of safety, recommend regulations to the Chairman, increase occupational safety and health knowledge and awareness, enforce compliance with WCB regulations, operate certification programs, effectively manage Divisional resources.

The results of our focused efforts can be summed up in a letter from the Canadian Association of Industrial Mechanical and Allied Workers:

'I would like to express our appreciation to the Board for sending Mr. Bill Peterson and Mr. Matt Coenen to conduct several educational presentations at our recent health and safety seminar. The evaluation reports submitted by the students at the end of the seminar indicated that their presentations were well received.'

This response is typical of the reaction we receive to the many programs we offer industry and educational institutions.

We increased the number of field inspections this year and introduced better coordination of safety and hygiene activities. There was also an increase in compliance actions.

Research and Development published eleven Standard Practice Manuals for industry. We also contracted a link-up with the Canadian Centre for Occupational Health and Safety (CCOHS) data base on occupational hazards. Another development was our participation in the Workplace Hazardous Material Information Systems development.

COMPENSATION SERVICES DIVISION

96% of all claims were allowed during 1986 and the majority of claims were paid within 17 days. Volume was 156,312 compared to 158,673 for 1985.

Vocational Rehabilitation Department worked on plans for two new programs to add to their already extensive range of programs aimed at assisting workers and their families. ACCESS '87 will be a new training and job placement program for the seriously disabled. The emphasis will be to assist paraplegic and quadriplegic workers who are interested in returning to the workplace. The second initiative is designed to give seriously disabled workers currently in a hospital or long-term care facility the option of living independently in the community.

The addition of a Cybex Data Reduction Centre has greatly enhanced our ability to assess and evaluate injuries. To make the advantages of this centre more accessible through an understanding of the operation and advantages of the centre, we produced a video tape for distribution to all offices. Staff from the Remedial Therapy Department attended two CYBEX Courses in Wisconsin and compared our operation with users from across North America.

A valuable addition to the Amputee Unit this year was a video camera and monitor which has greatly assisted in providing feedback for patients.

A number of organizational refinements within the Claims Department were put into effect to streamline the process benefitting our client handling processes.

Bill 61 dealing with changes to the Review Board was introduced on February 20, and was included in a major rewrite of the Rehabilitation Services and Claims Manual.

The people who work in the Compensation Services Division are dedicated to those who need our help to recover and re-enter the workforce. Each year, more programs are introduced and those in existence are studied and reworked to become more effective. The results are often gratifying but never easily attained. The rewards come from seeing our clients successfully through our programs and back into life's mainstream.

Quite often, we hear from those who have come in contact with us. This is what just a few have had to say about the people and services at Workers' Compensation:

'Each member who worked with me gave their best and I really appreciate it because my injuries were very extensive, claimant, White Rock.

'I would like to thank you for your assistance and helpfulness. Your professional manner in which you assisted me was a positive factor in my dealings with my injury and return to the workplace.' claimant.

'I have to say that the WCB has helped me out very much mentally and physically. I think without the therapy here I wouldn't be as well off as I am.' claimant, Surrey.

FINANCIAL SERVICES DIVISION

The number of registered employers increased during the year from 86,940 to 89,808.

The new experience rating program. Era, was implemented January 1, 1986 for the forest products, metal mining, construction, heavy manufacturing and trucking industries. Approximately one half of the registered employers are included in these industries. The balance of the industries, with the exception of farming, were introduced to the program in 1986 for January 1, 1987 implementation.

Following full implementation, the Era program will be reviewed on an ongoing basis and fine tuned as needed.

The clearance letter service was identified for improvement and work began to automate the function. This service is an important one for contractors, subcontractors and the Board.

Changes to the Personal Optional Protection were made in 1986. Some individuals, such as proprietors and partners are not automatically covered but may voluntarily apply for coverage. Other changes and adjustments have also been made to the program.

Statistical reports which help identify the type and source of industrial injuries and diseases continue to assist the Board's activities and are available to industry and interested individuals.

FINANCIAL SUPPORT TO RESEARCH AND HEALTH ACTIVITIES

Workers' Compensation Board of British Columbia has a proud record of supporting Occupational Health and Safety and Rehabilitation Medicine and research and development. Through financial and material support, our Grants Program compares with the best in North American. 1986 was no exception to this record of support that benefits all British Columbians.

GRANTS & AWARDS

U.B.C. Health Care & Epidemiology	$ 200,000.00
U.B.C. Position Grant	$ 63,250.00
U.B.C. Occupational Lung Disease Unit	$ 270,000.00
U.B.C. - M.E.R.U.	$ 50,000.00
U.B.C. Alcan Follow-Up Study of Respiratory Health of Aluminum Smelter Workers	$ 63,294.05
U.B.C. Year 3 - Vibration White Finger Disease Study	$ 17,250.00
Cancer Control Agency	$ 80,000.00
Canadian Paraplegic Association	$ 32,100.00
B.C.I.T. - Purchase of Equipment	$ 25,000.00
B.C. Safety Council	$ 25,000.00
Orthopedic Days	$ 3,000.00

"YOUR INSTRUCTORS SHOW THEIR PROFESSIONALISM BY CONTINUALLY DISPLAYING A BRIGHT SMILE AND HAVING KIND WORDS DURING CONVERSATION"

The photographs in this report were taken in the Amputee Unit, Rehabilitation Centre, Richmond. We thank those who patiently participated in this project.

Province of
British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria,
British Columbia
V8V 1X4

AUDITOR'S REPORT

To the Chairman and Members of the Workers' Compensation Board, and

To the Minister of Labour and Consumer Services
Province of British Columbia:

I have examined the balance sheet of the Workers' Compensation Board as at 31 December 1986 and the statements of income and expense and unappropriated surplus, changes in fund liabilities, changes in special reserve balances and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at 31 December 1986 and the results of its operations and the changes in its fund liabilities, special reserve balances and financial position for the year then ended in accordance with the accounting principles described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

The Auditor's Reports on the 1984 and 1985 financial statements of the Board referred to a contingency margin of $42.8 million, which was created in 1984 by means of a charge to expense, and subsequently reversed in 1985. These reports contained opinions that in 1984 this contingency margin should not have been charged as an expense, but rather as a contingency appropriation. Similarly, in 1985 the reversal should not have been applied to reduce expense. Had the contingency margin been treated as an apropriation, net income applied to unfunded liability would have been increased by $42.8 million in 1984 and reduced by $42.8 million to $302.7 million in 1985. The amounts of unfunded liability would not have been affected in either year. This matter is referred to here only because it affects the comparability of the amounts shown as net income applied to unfunded liability on the 1986 statement of income and expense and unappropriated surplus.

Robert J. Hayward, C.A.
Acting Auditor General

Victoria, British Columbia
4 March 1987

WORKERS' COMPENSATION BOARD

BALANCE SHEET
AS AT 31 DECEMBER 1986 (in $,000's)

EXHIBIT 1

ASSETS	1986	1985
Cash and short-term investments	703,173	915,113
Assessments and accrued interest receivable	142,545	152,946
Deposit account unfinalled claims receivable (Note 4)	72,315	69,905
Long-term investments, market value	1,763,318	1,233,502
Fixed assets (Note 5)	58,813	48,271
	2,740,164	2,419,737
LIABILITIES AND FUND BALANCES		
Accounts payable and accrued liabilities	22,315	22,716
Deposit accounts	3,158	3,158
Accident fund liabilities (Exhibit 3)	2,305,738	2,261,848
Accident fund special reserves (Exhibit 4)	34,526	32,589
Silicosis fund liabilities (Exhibit 3)	31,312	33,486
Deferred long-term investment gains and losses (Note 3)	79,837	97,784
	2,476,886	2,451,581
Benefit maintenance and assessment rate stabilization reserve (Note 2)	150,000	—
Unappropriated surplus (unfunded liability) (Exhibit 2)	113,278	(31,844)
	2,740,164	2,419,737

The accompanying six notes are an integral part of these financial statements.

Approved by the Board:

J.A. Nielsen	A.P. Devine	B. Korman	J.M. Nutter
Chairman	Commissioner	Commissioner	Commissioner

EXHIBIT 2

STATEMENT OF INCOME AND EXPENSE AND UNAPPROPRIATED SURPLUS FOR THE YEAR ENDED 31 DECEMBER 1986 (in $,000's)

	1986	1985
INCOME		
Assessments		
Classes	399,749	456,120
Deposit accounts (Note 4)	18,366	18,639
Penalties	3,104	3,460
	421,219	478,219
Investment income		
Earned for the year	230,990	206,147
Amortization of long-term investment gains and losses (Note 3)	48,702	29,227
	279,692	235,374
	700,911	713,593
EXPENSE		
Current year claims		
Wage loss compensation	83,563	75,390
Medical aid payments	27,084	26,893
Pension awards, capitalized values	12,886	12,402
Provision for unfinalled claims	173,774	171,007
	297,307	285,692
Prior years' claims		
Investment income allocated to fund liabilities and special reserves	279,692	235,374
Adjustment to prior years' actuarial estimates	(253,240)	(221,176)
	26,452	14,198
Administration and other expenses		
Administration	67,201	65,858
Review Board and Advisors	3,406	1,712
Research grants and awards	923	624
	71,530	68,194
	395,289	368,084
NET INCOME APPLIED TO UNFUNDED LIABILITY	305,622	345,509
UNFUNDED LIABILITY - 1 January	(31,844)	(358,353)
APPROPRIATION TO SPECIAL RESERVES	(10,500)	(19,000)
APPROPRIATION TO BENEFIT MAINTENANCE AND ASSESSMENT RATE STABILIZATION RESERVE (Note 2)	(150,000)	—
UNAPPROPRIATED SURPLUS (UNFUNDED LIABILITY) - 31 December	113,278	(31,844)

WORKERS' COMPENSATION BOARD

STATEMENT OF CHANGES IN FUND LIABILITIES FOR THE YEAR ENDED 31 DECEMBER 1986 (in $,000's)

EXHIBIT 3

	Accident Fund		Silicosis Fund	
	1986	1985	1986	1985
ADDITIONS TO THE FUND LIABILITIES				
Current year claims				
Provision for unfinalled claims	172,981	170,404	793	603
Pension awards, capitalized values	16,145	16,287	98	—
Prior years' claims				
Investment income allocation	272,881	229,663	4,245	4,094
Adjustment to prior years' actuarial estimates	(248,401)	(215,051)	(4,839)	(6,125)
	213,606	201,303	297	(1,428)
DEDUCTIONS FROM THE FUND LIABILITIES				
Pensions paid	99,758	95,071	2,421	2,546
Wage loss compensation	41,148	36,039	—	—
Medical aid payments	28,810	28,387	50	109
	169,716	159,497	2,471	2,655
CURRENT YEAR INCREASE (DECREASE)	43,890	41,806	(2,174)	(4,083)
BALANCE - 1 January	2,261,848	2,220,042	33,486	37,569
BALANCE - 31 December (Exhibit 1)	2,305,738	2,261,848	31,312	33,486
Represented by:				
Provision for unfinalled claims	1,000,613	1,028,110	10,858	12,030
Pension awards, capitalized values	1,305,125	1,233,738	20,454	21,456
	2,305,738	2,261,848	31,312	33,486

WORKERS' COMPENSATION BOARD

STATEMENT OF CHANGES IN SPECIAL RESERVE BALANCES FOR THE YEAR ENDED 31 DECEMBER 1986 (in $,000's)

EXHIBIT 4

	Contingent	Disaster	Enhancement	Total 1986	Total 1985
ADDITIONS TO THE RESERVES					
Appropriation of net income	—	1,500	9,000	10,500	19,000
Investment income allocation	154	1,229	1,183	2,566	1,617
	154	2,729	10,183	13,066	20,617
DEDUCTIONS FROM THE RESERVES					
Pensions awards, capitalized values	—	997	2,271	3,268	2,936
Wage loss compensation	—	260	5,604	5,864	5,128
Medical aid payments	—	91	1,906	1,997	2,033
	—	1,348	9,781	11,129	10,097
CURRENT YEAR INCREASE	154	1,381	402	1,937	10,520
BALANCE - 1 January	1,630	13,616	17,343	32,589	22,069
BALANCE - 31 December (Exhibit 1)	1,784	14,997	17,745	34,526	32,589

WORKERS' COMPENSATION BOARD

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 1986 (in $,000's)

EXHIBIT 5

	1986	1985
FUNDS PROVIDED FROM		
Net income applied to unfunded liability	305,622	345,509
Add (deduct) items not requiring cash:		
Provision for unfinalled claims	173,774	171,007
Adjustment to prior years' actuarial estimates	(253,240)	(221,176)
Investment income allocated to fund liabilities and special reserves	279,692	235,374
Pension awards, capitalized values	12,886	12,402
Depreciation	3,488	2,455
Loss (gain) on disposal of fixed assets	1,767	(62)
	523,989	545,509
Deduct:		
Cash applied in settlement of fund liabilities or charged against special reserves:		
Pensions paid	102,179	97,617
Wage loss compensation	47,012	41,167
Medical aid payments	30,857	30,529
	180,048	169,313
Funds generated from operations	343,941	376,196
(Decrease) increase in deferred long-term investment gains and losses	(17,947)	54,338
Decrease in assessments and accrued interest receivable	10,401	6,900
Net (decrease) increase in other liabilities	(401)	5,300
Pension payments recovered from third parties	89	949
Proceeds from disposal of fixed assets	432	123
	336,515	443,806
FUNDS APPLIED TO		
Purchase of fixed assets	16,230	2,838
Increase in deposit account unfinalled claims receivable	2,409	9
	18,639	2,847
	317,876	440,959
INCREASE IN FUNDS INVESTED		
FUNDS INVESTED - 1 January	2,148,615	1,707,656
- 31 December	2,466,491	2,148,615
COMPONENTS OF INCREASE IN FUNDS INVESTED		
(Decrease) increase in cash and short-term investments	(211,940)	3,983
Increase in long-term investments	529,816	436,976
	317,876	440,959

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1986

Note 1 - Significant Accounting Policies

(a) Fund Accounting

Although the liabilities and reserves of the Board are allocated to the Accident and Silicosis Funds and various sub-divisions thereof, the assets are recorded on a pool basis with no allocation of individual assets to specific funds.

(b) Long-Term Investments

Long-term investments are stated at market value. The amount by which market value differs from book value represents an unrealized gain or loss. Unrealized gains and losses occurring during the year, together with gains and losses realized on disposal of long-term investments during the year, are deferred and amortized on a straight-line basis over a five year period.

(c) Fixed Assets

Fixed assets are reported at cost, except for land acquired before 1970 which is recorded at appraised value. Deferred costs represent expenditures incurred on major information systems projects. Fixed assets are depreciated or amortized on a straight line basis over their estimated useful lives as follows:

Buildings	20 or 40 years	Furniture	10 years
Equipment	3 to 10 years	Vehicles	5 years
		Deferred Costs	3 to 5 years

(d) Fund Liabilities

The Board calculates the liabilities for unfinalled claims and pensions as explained below. These liabilities, and the underlying assumptions and methods, are examined by the consulting actuary appointed by the Board. The report of the consulting actuary is appended to these financial statements.

(i) Unfinalled Claims

Provisions for future claims costs relating to injuries occurring prior to 31 December 1986 for which the final settlement has not been determined are credited to the unfinalled claims liabilities which are part of the Accident and Silicosis Funds established under Sections 39(1)(c) and 41(2)(b) of the Workers' Compensation Act. Wage loss compensation and medical aid payments, and the capitalized value of pension awards granted after the year of injury (or after the year in which the claim is allowed, in the case of silicosis) are charged to the respective unfinalled claims liabilities.

(ii) Pensions

Capitalized values of pension awards are credited to the pension liability provisions, which are then charged with pensions paid. When a pension is awarded for an injury which occurred in the current year its capitalized value is treated as a current period expense. In the case of a pension awarded after the year of the injury (or after the year in which the claim is allowed, in the case of Silicosis), the pension is charged to the appropriate unfinalled claims liability.

(e) Accident Fund Special Reserves

The special reserves established pursuant to Section 39 of the Workers' Compensation Act are:

- Contingent Reserve [Section 39(1)(b)] which provides a reserve in aid of industries or classes which may become depleted or extinguished.
- Disaster Reserve [Section 39(1)(d)] which provides a reserve to be used to meet the loss arising from a disaster or other circumstances which the Board considers would unfairly burden the employers in a particular class.
- Enhancement Reserve [Section 39(1)(e)] which provides a reserve for payment of that portion of a disability enhanced by reason of a pre-existing disease, condition or disability.
- The Board determines the amounts required to maintain these reserves at an adequate level. This levy is prorated to the various employer classes.

(f) Prior Years' Claims

All amounts recorded as "Provision for unfinalled claims" and as "Pension awards, capitalized values" are the actuarial estimates of the net present values of these liabilities. The calculation of net present value assumes that the annual rate of return on the Board's investments will exceed the annual increase in the Consumer Price Index (CPI) by 2-3/8%.

Each year, benefits paid by the Board are increased in line with the CPI and the actuarial assumptions are modified to include more recent experience. These changes result in a revaluation of the acturial estimates made in prior years. Investment income received or receivable during the year is allocated to the fund liabilities to offset the revaluation.

The amount by which the revaluation differs from investment income allocated is described in the statements as "Adjustment to prior years' acturial estimates" and is treated as a current period item.

(g) Assessment Income and Assessments Receivable

As a significant portion of assessment income for the year is not received until after year end, the amount shown is an estimate based on statistical data. Adjustments to this estimate are made in the following year.

Note 2 - Benefit Maintenance and Assessment Rate Stabilization Reserve

The Board has appropriated from surplus $150 million to a benefit maintenance and assessment rate stabilization reserve. This reserve will be used to reduce the impact on assessment rates resulting from potential changes in claim frequencies or benefit levels.

Note 3 - Deferred Long-Term Investment Gains and Losses ($000's)

	1986	1985
Balance - 1 January	97,784	43,446
Realized (losses) gains for the year	(141)	661
Unrealized gains for the year	30,896	82,904
	128,539	127,011
Amortization credited to investment income	48,702	29,227
Balance - 31 December	79,837	97,784

Note 4 - Deposit Accounts

Certain employers have been placed in deposit classes and are required to deposit with the Board a sum of money determined by the Board.

These employers are billed on a monthly basis for compensation payments and pension awards made on their behalf, together with their proportionate share of administrative costs. The Board recognizes in its accounts both the current value of the estimated future payments for unfinalled claims and the amounts relative to these unfinalled claims to be received in the future from the deposit class employers.

The Board also acts as the agent of the Government of Canada for the payment of compensation to federal employees in British Columbia. Amounts disbursed are recovered from the Government of Canada on a monthly basis.

Note 5 - Fixed Assets ($000's)

	1986				1985
	Cost or Appraised Value	Depreciation/ Amortization	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value
Land	1,639	—	—	1,639	1,639
Buildings	49,695	1,318	8,392	41,303	42,557
Furniture & Equipment	23,452	1,972	9,669	13,783	4,075
Deferred Costs	2,286	198	198	2,088	—
Totals	77,072	3,488	18,259	58,813	48,271

Note 6 - Superannuation Fund

The Board's 1986 contributions to the Workers' Compensation Board Superannuation Fund, amounted to $4,399,000 (1985-$9,177,000).

An acturial valuation of the Fund's liabilities was carried out in 1985 at the Trustees' request. Based on the Plan provisions, and ignoring liabilities and financing for future indexed supplementary pensions, the unfunded liability of the Fund was approximately $21 million as at 31 March 1985. This unfunded liability is not included in these financial statements.

The Board's current rate of regular contributions is projected to amortize the unfunded liability by the year 2007.

ACTUARY'S REPORT

ECKLER PARTNERS LTD.

The Pension Liabilities for the Accident and Silicosis Funds are for pensions in effect as at 1 January 1987, but excluding pensions arising from injuries to Federal Government workers (Class 19). The present value of increases in pensions effective 1 January 1987 has been included in the Liabilities. The Pension Liabilities have been computed using the same mortality, net interest rate and other assumptions used for the valuation as at 31 December 1985. The net interest rate of 2-3/8% makes implicit provision for the future indexing of pensions on the assumption that interest earnings on Board assets in excess of 2-3/8% will correspond to future increases in the Consumer Price Index.

The Unfinalled Claims Liabilities for the Accident and Silicosis Funds are shown separately for Rateable Classes and for Deposit Classes (excluding Class 19), and are based on projections of future claims payments and awards using ratios developed from the Board's claims experience, average benefit rates, the net interest rate assumption of 2-3/8% and, where applicable, mortality, remarriage and other assumptions used for computing Pension Liabilities. The methods used in calculating these liabilities were substantially the same as those employed in the previous valuation as at 31 December 1985.

The liabilities included in this report have been computed by the Board in accordance with methods and assumptions approved by us. We have made such tests of the calculations as were deemed necessary. We have also examined the data upon which the calculations were based and found it to be sufficient for our purposes and consistent with the Board's financial statements.

In our opinion, the amounts set out below, which have been determined by the methods and assumptions described above, make reasonable provision for the future liabilities of the Board as at 31 December 1986.

Accident Fund	
Pension Liabilities	$ 1,305,125,000
Unfinalled Claims Liabilities	
- Rateable Classes	927,240,000
- Deposit Classes	73,373,000
	$ 2,305,738,000
Silicosis Fund	
Pension Liabilities	$ 20,454,000
Unfinalled Claims Liabilities	10,858,000
	$ 31,312,000

J Levi

Jacob Levi, F.S.A., F.C.I.A.
Eckler Partners Ltd.
Consulting Actuaries

WORKERS' COMPENSATION BOARD

STATEMENT OF ALL YEARS' CLAIM COSTS AND UNAPPROPRIATED SURPLUS FOR THE YEAR ENDED 31 DECEMBER 1986 (in $,000's)

SCHEDULE 1

	1986		1985	
INCOME				
Assessments				
Classes	399,749		456,120	
Deposit accounts	18,366		18,639	
Penalties	3,104	421,219	3,460	478,219
Investment income				
Earned for the year	230,990		206,147	
Amortized of long-term investment				
Investment gains and losses	48,702	279,692	29,227	235,374
		700,911		713,593
EXPENSE				
Cost of workers' claims				
Wage loss compensation	130,575		116,557	
Medical aid payments	57,941		57,422	
Pensions paid	102,090	290,606	96,668	270,647
Administration and other expenses				
Administration	67,201		65,858	
Review board and advisors	3,406		1,712	
Research grants and awards	923	71,530	624	68,194
		362,136		338,841
EXCESS OF INCOME OVER EXPENSES		338,775		374,752
INCREASE (DECREASE) IN ACTUARIAL LIABILITIES				
Accident fund - 31 December	2,340,264		2,294,437	
- 1 January	2,294,437	45,827	2,242,111	52,326
Silicosis fund - 31 December	31,312		33,486	
- 1 January	33,486	(2,174)	37,569	(4,083)
		43,653		48,243
BENEFIT MAINTENANCE AND ASSESSMENT RATE STABILIZATION RESERVE (Note 2)		150,000		—
DECREASE IN UNFUNDED LIABILITY		145,122		326,509
UNFUNDED LIABILITY - 1 January		(31,844)		(358,353)
UNAPPROPRIATED SURPLUS (UNFUNDED LIABILITY) -31 December		113,278		(31,844)

WORKERS' COMPENSATION BOARD

STATEMENT OF CURRENT TRANSACTIONS (details by sub-class)
FOR THE YEAR ENDED 31 DECEMBER 1986 (in $,000's)

Class and Sub-Class		BALANCES 1 January	INCOME Assessments	COSTS CHARGED TO SUB-CLASSES Wage Loss Compensation	Medical Aid Payments	Pension Awards Capitalized Values	Provision for Unfinalled Claims
1	2	(58,415)	54,693	8,834	3,389	2,661	26,082
	4	—	10,069	1,257	449	309	3,353
	5	35,953	23,007	5,299	1,899	350	10,345
	7	8,051	5,954	1,291	446	144	2,747
	9	955	4,218	928	296	402	1,774
		(13,456)	97,941	17,609	6,479	3,866	44,301
4	3	(5,077)	3,203	467	152	1	1,197
	11	(5,009)	6,894	917	369	330	2,901
	18	(2,650)	1,136	132	49	—	296
	30	11,246	3,808	530	253	8	1,742
		(1,490)	15,041	2,046	823	339	6,136
6	2	4,932	10,953	2,326	653	9	3,610
	3	3,503	2,369	422	140	4	614
	4	(2,128)	5,394	1,177	393	8	1,892
	5	1,064	491	144	80	—	290
	7	930	414	266	55	—	162
	8	(407)	1,634	398	89	—	368
	17	(399)	244	48	12	—	83
	18	(77)	263	82	30	—	65
	20	586	3,668	804	156	2	961
	21	(1,296)	14,206	3,523	1,050	5	5,932
	22	4,389	2,484	581	307	—	1,314
	24	(1,784)	3,312	766	192	17	1,046
	25	(1,064)	551	148	52	—	215
	26	(18,153)	19,111	5,492	1,381	—	9,925
	27	8,628	10,720	2,280	1,098	—	4,699
	31	1,344	143	55	15	—	58
	32	(52)	1,871	430	75	2	648
	36	1,642	1,249	145	77	343	278
	37	773	2,495	855	213	1	889
	39	(1,422)	1,356	420	90	3	572
	43	(1,940)	3,970	534	360	292	3,756
	46	234	40	15	14	—	29
	54	5,182	3,900	1,074	297	—	1,601
	56	659	86	13	5	—	14
	57	(1,989)	3,369	659	180	—	1,556
	58	(1,569)	586	194	65	—	394
	59	(8,479)	12,975	2,300	824	616	5,356
		(6,893)	107,854	25,151	7,903	1,302	46,327
7	5	(10,392)	6,680	1,448	435	—	3,466
	6	(18,585)	27,216	4,940	1,661	376	12,381
	7	(1,288)	35,267	6,459	1,832	805	11,048
	11	1,593	3,133	797	201	355	1,575
	13	764	1,634	484	152	—	917
	21	2,170	5,099	1,112	215	39	1,362
	25	(19,344)	6,016	873	226	287	2,604
	26	(12,725)	18,930	2,151	785	513	6,045
	47	458	384	42	13	—	148
	48	1,759	2,595	267	98	150	643
		(55,590)	106,954	18,573	5,618	2,525	40,189

SCHEDULE 2

Adjustment to Prior Years' Actuarial Estimates	Total Claim Cost	Administration and Other Expenses	Appropriation to Special Reserves	Total Costs	Benefit Maintenance and Rate Stabilization	BALANCES 31 December
(38,813)	2,153	8,905	1,417	12,475	—	(16,197)
(8,543)	(3,175)	1,197	256	(1,722)	6,435	5,356
(24,399)	(6,506)	4,720	594	(1,192)	22,520	37,632
(2,848)	1,780	1,085	146	3,011	4,235	6,759
(2,954)	446	620	108	1,174	2,327	1,672
(77,557)	(5,302)	16,527	2,521	13,746	35,517	35,222
(2,106)	(289)	502	83	296	—	(2,170)
(5,530)	(1,013)	1,051	162	200	1,224	461
30	507	171	29	707	—	(2,221)
(3,297)	(764)	561	97	(106)	4,894	10,266
(10,903)	(1,559)	2,285	371	1,097	6,118	6,336
(6,577)	21	1,684	277	1,982	6,951	6,952
(899)	281	552	59	892	1,937	5,043
(1,562)	1,908	844	131	2,883	278	105
21	535	121	12	668	332	555
(222)	261	110	10	381	361	602
(684)	171	187	42	400	601	226
(23)	120	35	6	161	—	(316)
(159)	18	80	7	105	59	22
(1,176)	747	420	93	1,260	1,958	1,036
(5,680)	4,830	3,029	360	8,219	3,409	1,282
(807)	1,395	484	63	1,942	1,945	2,986
(1,008)	1,013	454	84	1,551	—	(23)
(162)	253	164	14	431	—	(944)
(8,111)	8,687	3,022	487	12,196	—	(11,238)
(5,588)	2,489	1,763	270	4,522	6,956	7,870
(216)	(88)	28	4	(56)	398	1,145
56	1,211	268	47	1,526	213	80
(816)	27	272	32	331	1,004	1,556
(1,133)	825	413	64	1,302	1,353	613
(443)	642	326	34	1,002	—	(1,068)
(2,081)	2,861	699	103	3,663	—	(1,633)
9	67	27	1	95	54	125
(2,937)	35	1,284	99	1,418	3,082	4,582
(129)	(97)	63	2	(32)	205	572
(2,058)	337	521	84	942	317	121
257	910	112	15	1,037	—	(2,020)
(6,898)	2,198	2,102	324	4,624	—	(128)
(49,026)	31,657	19,064	2,724	53,445	31,413	16,103
(95)	5,254	1,467	167	6,888	—	(10,600)
(18,658)	700	6,105	680	7,485	832	314
(18,848)	1,296	4,959	888	7,143	17,880	8,956
(1)	2,927	1,068	79	4,074	473	179
(57)	1,496	277	40	1,813	426	159
(4,162)	(1,434)	637	128	(669)	3,512	4,426
(4,524)	(534)	866	155	487	—	(13,815)
(11,434)	(1,940)	2,582	480	1,122	3,691	1,392
(477)	(274)	116	10	(148)	368	622
(4,281)	(3,123)	285	63	(2,775)	2,324	4,805
(62,537)	4,368	18,362	2,690	25,420	29,506	(3,562)

WORKERS' COMPENSATION BOARD

STATEMENT OF CURRENT TRANSACTIONS (details by sub-class)
FOR THE YEAR ENDED 31 DECEMBER 1986 (in $,000's)

Class and Sub-Class		BALANCES 1 January	INCOME Assessments	COSTS CHARGED TO SUB-CLASSES Wage Loss Compensation	Medical Aid Payments	Pension Awards Capitalized Values	Provision for Unfinalled Claims	A
8	1	4,920	1,501	403	90	—	1,111	
	8	(5,541)	1,547	320	118	—	747	
	11	916	2,272	473	117	—	528	
	12	131	799	317	106	—	306	
	20	4,024	1,410	168	46	1,161	1,028	
	51	7,514	24,453	4,147	991	923	8,185	
		11,964	31,982	5,828	1,468	2,084	11,905	
9	1	4,548	3,835	584	148	80	1,038	
	2	5,466	5,750	1,976	353	12	2,257	
	6	29	2,667	513	263	3	744	
	9	654	120	10	4	—	39	
	11	8,333	5,281	684	265	1,184	1,735	
		19,030	17,653	3,767	1,033	1,279	5,813	
14	1	10,804	12,451	2,563	653	288	4,806	
	6	(720)	8,036	1,666	581	118	3,936	
		10,084	20,487	4,229	1,234	406	8,742	
38		3,208	1,963	104	61	—	123	
Total Classes		(33,143)	399,875	77,307	24,619	11,801	163,536	
10		—	1,949	1,177	425	—	2,494	
12		—	2,850	680	183	180	1,275	
13		—	10,315	2,701	939	729	5,654	
18		—	(77)	10	2	—	21	
19		—	3,456	1,628	917	77	—	
Total Deposit Accounts		—	18,493	6,196	2,466	986	9,444	
Total Deposit Accounts and Classes		(33,143)	418,368	83,503	27,085	12,787	172,980	
Silicosis								
2	3	1,654	(2)	—	—	—	96	
	4	(339)	2,851	59	—	98	697	
		1,315	2,849	59	—	98	793	
Rounding		(16)	2	1	(1)	1	1	
Grand Total		(31,844)	421,219	83,563	27,084	12,886	173,774	

NOTE: 1. Assessment Income
As a significant portion of assessment income is not received until after year end, the amount shown is an estimate based on statistical data. Adjustments to this estimate are made in the following year.

SCHEDULE 2

Adjustment to Prior Years' Actuarial Estimates	Total Claim Cost	Administration and Other Expenses	Appropriation to Special Reserves	Total Costs	BALANCES	
					Benefit Maintenance and Rate Stabilization	31 Decemb
(1,676)	(72)	489	38	455	1,985	3,981
454	1,639	415	39	2,093	—	(6,087)
(1,111)	7	247	58	312	1,378	1,498
(581)	148	151	20	319	405	206
(3,168)	(765)	431	37	(297)	1,831	3,900
(15,950)	(1,704)	2,478	610	1,384	14,943	15,640
(22,032)	(747)	4,211	802	4,266	20,542	19,138
(2,467)	(617)	436	94	(87)	3,250	5,220
(4,122)	476	829	146	1,451	4,251	5,514
(1,686)	(163)	295	67	199	1,330	1,167
(21)	32	31	3	66	197	511
(4,289)	(421)	800	145	524	4,544	8,546
(12,585)	(693)	2,391	455	2,153	13,572	20,958
(6,804)	1,506	2,164	317	3,987	8,563	10,705
(1,082)	5,219	1,940	205	7,364	—	(48)
(7,886)	6,725	4,104	522	11,351	8,563	10,657
(513)	(225)	63	50	(112)	1,865	3,418
(243,039)	34,224	67,007	10,135	111,366	147,096	108,270
(3,017)	1,079	781	89	1,949	—	—
(15)	2,303	487	60	2,850	—	—
(2,788)	7,835	2,264	216	10,315	—	—
(117)	(84)	6	1	(77)	—	—
(27)	2,595	861	—	3,456	—	—
(5,364)	13,728	4,399	366	18,493	—	—
(248,403)	47,952	71,406	10,501	129,859	147,096	108,270
(332)	(236)	2	—	(234)	426	1,460
(4,507)	(3,653)	122	—	(3,531)	2,478	3,565
(4,839)	(3,889)	124	—	(3,765)	2,904	5,025
2	4	—	(1)	3	—	(17)
(253,240)	(44,067)	71,530	10,500	126,097	150,000	113,278

NOTE: 2. Benefit Maintenance and Assessment Rate Stabilization Reserve.
The amount appropriated to the aggregate benefit maintenance and assessment rate stabilization reserve was set at $150 million which is allocated only to subclasses in a surplus balance prior to allocation.
The allocation of $150 million to a subclass level was calculated in a three step process:
a) Each surplus subclass balance was expressed as a percentage of total assessment for all surplus subclasses and the same percentage of $150 million was determined.
b) Each surplus subclass assessment was expressed as a percentage of total assessment for all surplus subclasses and the same percentage of $150 million was determined.
c) The average of the two subclass calculations in steps 2 and 3 was designated as the subclass benefit maintenance and assessment rate stabilization reserve.

WORKERS' COMPENSATION BOARD

STATEMENT OF ADMINISTRATION EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 1986 (in $,000's)

SCHEDULE 3

	1986	1985
Salaries and employees' benefits	57,641	60,072
Depreciation	3,488	2,455
Equipment	2,707	2,013
Communications	2,577	2,421
Consulting Fees	2,376	1,567
Building and services	2,294	2,428
Supplies and stationery	1,885	1,420
Loss (gain) on disposal of fixed assets	1,767	(62)
Staff travel	1,652	1,300
Miscellaneous	1,362	1,204
Publications	709	525
Advertising	702	612
Automobile fleet	452	500
Patients' meals	450	479
Employee relocation	212	178
	80,274	77,112
Less: Deferred costs	(1,802)	–
: Miscellaneous income	(1,538)	(1,564)
	76,934	75,548
Less: Allocated to: medical aid	(9,533)	(9,525)
: investment income	(200)	(165)
TOTAL ADMINISTRATION EXPENSES	67,201	65,858

WORKERS' COMPENSATION BOARD

INVESTMENTS HELD AS AT 31 DECEMBER 1986 (in $,000's)

SCHEDULE 4

	1986	1985
	Market Value	
Government of Canada and Federal Crown Corporations	686,131	536,331
Province of British Columbia and Crown Corporations	418,159	400,336
British Columbia Municipal and School	84,040	62,443
Other Provinces and Crown Corporations	570,998	230,145
Chartered Bank	3,990	4,247
Long-term investments	1,763,318	1,233,502
Cash and short-term investments	703,173	915,113
	2,466,491	2,148,615

COMMENTARY ON FINANCIAL STATEMENTS

The following commentary is provided to assist readers in understanding the intent and content of the preceding financial Schedules and Exhibits.

Exhibit 1 - Balance Sheet

This Exhibit reveals the Board's financial position at the end of its fiscal year. It identifies all assets owned by the Board, such as investments, fixed assets and amounts receivable from others. It also discloses the amounts owed to others as a result of day to day operations, and the acturial estimate of the present value of pensions and other costs of claims to be paid by the Board in future years for existing claimants. These Accident Fund and Silicosis Fund liabilities are evaluated each year, and independently confirmed by the Consulting Actuary.

The amount by which the assets exceed the liabilities is called, in this Exhibit, the "Unappropriated Surplus".

Exhibits 2 to 5 analyze the changes which occurred during the year for certain of the Balance Sheet items.

Exhibit 2 - Statement of Income and Expense and Unappropriated Surplus

This Exhibit gives a breakdown of the Board's income and expenses for the year and shows how these resulted in the change for the year in the Unfunded Liability, which is now in a surplus position.

Income is comprised of assessments received from B.C. employers and from investment earnings. In this Exhibit, expenses are classified into the categories of claims arising in the current year, claims made in prior years and administration and other expenses.

Readers should also examine Schedule 1, which further analyzes the change in Unfunded Liability/Unappropriated Surplus.

Exhibit 3 - Statement of Changes in Fund Liabilities

As described under Exhibit 1, the liabilities of the Accident and Silicosis Funds are adjusted each year to reflect the current year's claims and a re-evaluation of past years' remaining liabilities based on current conditions. Exhibit 3 reveals the items which were added to the liabilities (mainly the addition of current year costs) and the items deducted from the liabilities (mainly payments made) during the year.

Because the Board's investments represent funds provided by B.C. employers to secure the future payments for current or prior claims, investment income is allocated to the Accident and Silicosis Funds.

Shown at the bottom of this Exhibit are the portions of the two funds represented by pensions awarded and by estimates of future costs of claims currently unfinalled (i.e. where no pension award has yet been made).

Exhibit 4 - Statement of Changes in Special Reserve Balances

Under the Workers' Compensation Act, the Board is required to maintain reserves to cover the costs of claims arising from disasters, from the deterioration of previously existing injuries or conditions, as well as the continuing costs of classes of industry which cease to operate. These special reserves are shown as part of the Accident Fund on Exhibit 1.

Exhibit 4 reveals the items making up the additions to, and deductions from, the reserves during the year. The additions are made up of appropriations charged to B.C. employers plus a portion of investment income. The deductions are for payments made or pensions awarded during the year.

Exhibit 5 - Statement of Changes in Financial Position

This Exhibit sets out all of the Board's sources of funds during the year and those areas to which the funds were applied. The net increase in funds was invested, therefore the statement shows all those items which caused the change during the year in the value of investments carried on Exhibit 1.

The Exhibit begins with the net income applied to reduce the Unfunded Liability (from Exhibit 2) and adjusts this amount for items included in it which do not involve cash. Then it adds cash transactions which are charged directly to the Accident or Silicosis Funds to arrive at the amount of cash generated from operations. The changes in the Board's assets and liabilities which generate or use cash are also shown.

Schedule 1 - Statement of All Years' Claims Costs and Unappropriated Surplus

This Schedule reveals how the Boards' income and expense during the year, together with the change in the Accident and Silicosis Fund liabilities determined by the actuary, has resulted in a decrease in the Unfunded Liability, which is now in a surplus position.

The income figures are the same as those on Exhibit 2, while the expense section combines and categorizes payments for the current year claims from Exhibit 2 with payments for prior years' claims from the Accident and Silicosis Funds in Exhibits 3 and 4.

Schedule 2 - Statement of Current Transactions (Details by Sub-Class)

This Schedule breaks down the contents of Exhibit 2 by Sub-class. It allows employers to see the changes which occurred in their own sub-class balances during the year. The total of all sub-class balances is equal to the Board's Unappropriated surplus.

Schedule 3 - Statement of Administration Expenses

This Schedule gives an analysis of the major types of administration expenses on a comparative basis.

The reductions at the bottom of this schedule disclose:

(a) administration costs incurred for the Rehabilitation Clinic and the Residence which are reclassified to medical aid costs, and

(b) administration costs incurred in executing the investment program which are reclassified against investment income.

Schedule 4 - Investments Held

This Schedule reveals the composition of the Board's long-term investments by groupings of type of jurisdiction or organization, as well as the group total for cash and short-term investments (term under one year). The long-term and cash and short-term totals match those shown on Exhibit 1.